Investment of provident fund into stocks

778. SHRI AMAR SINGH:
SHRI HARISH RAWAT:
SHRI SANTOSH BAGRODIA:
SHRI ABU ASIM AZMI:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government propose to invest 5 per cent of provident funds into stocks;

(b) if so, the reasons therefor and the details thereof;

(c) whether it is also a fact that the governing body of EPF has opposed such move; and

(d) if so, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (d) The pattern of investment was revised in January, 2005 with a view to providing wider avenues for investment by non-government provident funds, superannuation funds and gratuity funds. As per the revised pattern, an amount upto 5% of the total portfolio has been allowed to be invested in shares of those companies that have an investment grade debt rating from two credit rating agencies.

There is no compulsion to invest in stock market as per this pattern. Investment decisions are taken by trustees of each fund based on their assessment of risk-return trade-off, and not by the Government.

(c) and (d) The recommendations of the Central Board of Trustees (CBT) of the Employees' Provident Fund Organization (EPFO) regarding the pattern of investment, are yet to be received by Government.

Regulation over loans provided by banks

779. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) whether banks, including foreign banks operating in the country extend various types of loans to their clients;

(b) if so, whether the RBI has any regulation over tenure and rate of interest levied by these banks;

(c) whether these banks use force and muscle power to recover dues from defaulting clients without giving notice and adequate opportunity to settle the claims;

(d) if so, the details thereof;

(e) whether the Hon'ble Supreme Court of India recently directed the RBI to frame guidelines for stopping such practice of the banks; and

(f) if so, the details thereof and action taken by Government in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) Yes, Sir. The banks, including foreign banks operating in the country, extend loans in accordance with their Board approved loan policies, framed as per Reserve Bank of India (RBI) guidelines, which also prescribe tenure and rate of interest, etc. of the loan. Though, RBI has deregulated the interest rates on advances, it has stipulated that interest rates on advances upto Rs. 2 lakh cannot exceed the Benchmark Prime Lending Rate (BPLR) of the concerned bank.

(c) and (d) RBI has received complaints against some banks alleging harassment and use of unfair means for recovery of their dues. RBI had issued Fair Practices Code for Lenders in May, 2003 advising scheduled commercial banks and All India Financial Institutions not to resort to undue harassment of the borrowers including credit card holders. The Indian Banks' Association (IBA) has formulated a "Model Code for collection of dues and repossession of security" as also a "Fair Practice Code for credit card operations" which has been recommended to banks for adoption and implementation.

(e) and (f) The information is being collected and would be laid on the Table of the House to the extent available.